PART I

THE GLOBAL DEVELOPMENT ALLIANCE BUSINESS MODEL

CHAPTER ONE

THE PRIVATE REVOLUTION IN GLOBAL DEVELOPMENT

The U.S. Agency for International Development's (USAID) Global Development Alliance (GDA) is at the forefront of an unprecedented change in the global system of development assistance. The facets of that change, characterized by the growing importance of private resources as instruments of development, are the tightening web of economic exchange between the developing and industrial worlds with the expansion and integration of the global market; the rising importance of foundations, nongovernmental organizations, companies, and individuals in conceiving, financing, and implementing solutions to development problems; and the renewed commitment by the industrial economies to increase official aid to countries that use aid well, especially poor countries that lack access to private sources of capital.

THE TIGHTENING WEB OF ECONOMIC EXCHANGE BETWEEN THE DEVELOPING AND INDUSTRIALIZED WORLDS

Foreign aid as traditionally conceived is just one part of an increasingly dense web of economic relations between the developed and developing worlds. In fact, the growth rate of flows of goods, capital, labor, and remittances over the last three decades has far outstripped increases in aid, or official development assistance (ODA). Today, foreign aid is only the third-largest source of financial flows from the developed to the developing world (and from the United States), but it remains important for the poorest countries, which have trouble attracting private finance and mobilizing capital to address specific development challenges. Elsewhere, the most important forms of economic engagement between developed and developing countries are private flows of capital (foreign direct investment, portfolio investment, and bank lending) and private transfers (remittances) from migrants working outside their home country.[1]

INTERNATIONAL DEVELOPMENT CONCERNS US ALL

Throughout its history USAID has worked with foundations and NGOs to carry out its assistance mandate. The Rockefeller and Ford foundations, for example, joined hands with USAID and U.S. land-grant universities to bring about the "Green Revolution" of the 1960s and 1970s. In 2000, the agency spent more than half of its $7.2 billion in assistance funds through contracts, grants, and cooperative agreements with NGOs (at least a quarter of which were faith-based[2]), favoring mechanisms that delegated to implementing partners a large degree of operating control over carefully chosen programs.

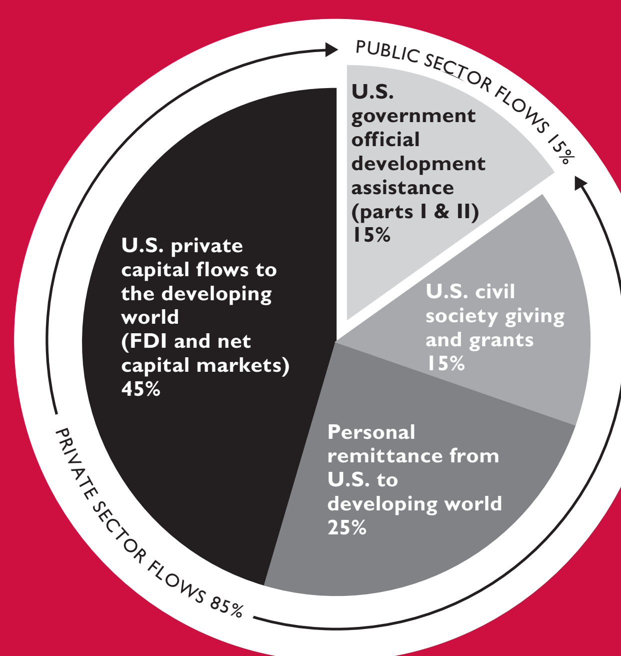
But in the last two decades independent foundations have grown rapidly in number and in wealth. Those headquartered in the United States alone now possess assets of close to half a trillion dollars. The exemplar of the new generation of private foundations is the Bill and Melinda Gates Foundation, which made $1.2 billion in grants in 2003 from a $29 billion endowment. With USAID as a "minority shareholder," the Gates Foundation is leading one of the world's largest immunization campaigns aimed at children in poor countries (chapter 5). Other philanthropic foundations are partnering with USAID to provide disaster relief, fund projects to build democracy and civil society, and restore peace and justice to conflict-torn regions (chapters 5 and 7).

The "global reach" of multinational corporations is nothing new. What is new, however, is the extent to which producers and consumers in the developed and developing worlds have become closely connected through the growth of international supply chains in nearly every sector of business activity, as the rate of growth in international trade over the last several decades has far outpaced growth in GDP as a whole. Today, raspberries grown in Chile may be harvested and packed on Tuesday and consumed in Illinois on Thursday. Packaged salads are consumed in London a day after being picked, packed, and shipped in East Africa. Running shoes made in China or fleece vests sewn in Lesotho may be no more than a few weeks old before they are bought in Toronto or Baltimore. The proportion of internationally traded goods in our market basket is at least three times what it was in 1970.

This means, in effect, that international development is everybody's business. Consumers know that they can hold companies and governments accountable through their collective buying decisions. And the many companies that rely on global supply chains for competitive advantage know the value of a positive environment wherever they source and produce traded goods. With incomes, education, and longevity rising faster in much of the developing world than in the industrialized countries, more companies are discovering that the people at the origin of their supply chains may soon become significant consumers of their products.

Companies are no longer concerned solely with managing the effects of their operations, and

U.S. RESOURCE FLOWS TO THE DEVELOPING WORLD IN 2003 — $112.6 BILLION



Source: Bureau of Economic Analysis; Conference Board; Foundation Center; faith-based groups; USAID internal estimates.

PUBLIC–PRIVATE ALLIANCES CAN ATTRACT FOREIGN DIRECT INVESTMENT TO DEVELOPING COUNTRIES BY IMPROVING THE BUSINESS CLIMATE

Like other types of private capital flows, foreign direct investment (FDI) is strongly influenced by a country's investment climate. Political and regulatory risks—conflict, confiscation, expropriation, nationalization, nonconvertibility of currency, and lax or inconsistent enforcement of regulations—are higher in poor countries than elsewhere. Most poor countries score much lower than middle-income countries on measures of corruption, efficiency of administration, law and order, quality of infrastructure, and other factors important to investors.

Despite these constraints, the share of FDI going to the least developed countries has grown steadily since the mid-1990s, suggesting that coordinated efforts to combine increased investment with improvements in investment climate would find a receptive audience among multinational firms. That expectation lies behind the efforts of USAID and its partners to foster world-class accounting practices in the former Soviet Union and to build information-technology capacity through workforce development (chapter 6).

Economic conditions in recent years have encouraged FDI in developing countries. Net FDI inflows to developing countries increased by $14 billion (9 percent) in 2004, partly reversing a steep decline in the two years following the global slowdown of 2001 and sluggish performance during the successive regional financial crises that occurred between 1994 and 2002. The net increase masks significant outflows of FDI from several countries, where companies have responded to stiffer foreign competition by seeking new markets elsewhere in the developing world.

Presently, FDI is still concentrated in a handful of middle-income countries—Brazil, China, India, Mexico, and Russia absorb more than half of all FDI worldwide—but it has generated important gains in some poor countries with good economic policies, among them Lesotho, Mauritania, Moldova, and Mozambique. In Mali, with help from USAID and alliance partners, the nascent sugar industry is poised to reap the largest single foreign investment in the country's history (chapter 8).

Sources include: Foreign Aid in the National Interest—Promoting Freedom, Security, and Opportunity (Washington, DC: USAID, 2002) and Global Development Finance 2005—Mobilizing Finance and Managing Vulnerability (Washington, DC: World Bank, 2005).

the public perception of those effects; increasingly they have become willing to deploy their capabilities—their business assets and their people—to contribute to the communities and countries in which they operate. Although still keen to avoid contributing to environmental and social problems, trend-setting firms such as GE (with its "ecomagination" initiative to help GE customers improve operating performance while simultaneously improving environmental performance) now think much farther ahead. Forward-thinking companies seek out opportunities to link their business investments to complementary efforts toward the achievement of a greater good—such as the sustainability of resources on which the company depends, the vitality of its present and future customer base, the quality of the economic and political institutions that affect its operations, or the development of quality standards that build markets (for example, by enabling buyers to make judgments about products).

The attainment of strategic goals usually involves partners—governments, NGOs, or other firms in the same region or sector—whose interests parallel the company's in essential respects, even as their goals remain distinct. Using ideas developed by thinkers such as James Austin, Michael Porter, David Grayson, and Adrian Hodges, leading corporations have learned how to get more bang from their buck by linking core business activities to projects that improve local conditions where they operate, enhancing their competitive position in the process.[3]

Cisco Systems, Inc., for example, has demonstrated the potential of fusing social and economic goals. Through its successful program of Cisco Networking Academies in some 150 countries (chapter 6), the world's leading producer of computer networking equipment trains skilled network administrators and so has removed a constraint to the company's growth while providing jobs to tens of thousands of secondary-school graduates.

When companies join with aid donors, nonprofit organizations, and host governments to raise quality and productivity, introduce better handling and transport practices, and improve the health and skills of the workforce, they reinforce domestic demand for the rule of law, transparent regulation, and more effective protection of property rights. In so doing, they make the country more attractive to other investors. Once it takes root, foreign direct investment (FDI) can reduce poverty and propel a country to sustained growth by creating jobs and building wealth and capital resources through export earnings, domestic supply responses, and other effects.

Today USAID's partners in sustainable development include global firms in agriculture (Masterfoods, chapter 3), natural resources (The Home Depot, chapter 3), energy (Chevron Corporation, chapter 4), and technology (Cisco Systems, Inc., chapter 6).

NEW PLAYERS, NEW MONEY

As the volume and speed of international flows of goods and capital have grown, so too have movements of persons. Immigrants, both temporary and permanent, recent and not so recent, have become a powerful potential force for development, remitting billions of dollars annually to their countries of origin. By placing more money in the hands of the poor, remittances directly reduce poverty and vulnerability. Because a large share of remitted funds is spent on health and education, remittances also constitute an important form of social investment.[4] Well-educated, long-term immigrants contribute more than money; they improve access to capital, technology, information, foreign exchange, and business contacts for firms in the country of origin and help smooth the way for FDI. Diasporas have played an important role in the transfer of knowledge and finance to countries such as Armenia, where the diaspora helped rebuild after a devastating earthquake in 1988 (chapter 5). Recognizing this, USAID is working to increase the development effectiveness of personal remittances through

LEVERAGING PERSONAL REMITTANCES FOR ECONOMIC GROWTH WHILE BROADENING ACCESS TO FINANCIAL SERVICES

The portion of their income that immigrants send back to their home countries is the second-largest and fastest-growing source of financial flows to developing countries. Expected to exceed $160 billion in 2005, personal remittances amount to more than double the official aid provided by industrial countries. Remittance volumes have quintupled since 1990 with the rising tide of migration and growth in migrants' incomes.

But the transaction costs of remittances remain unnecessarily high for the small transfers typically made by poor migrants, depriving migrants and their families of much-needed income. The cost of such transactions is often well below the fees paid by customers.

Remittances reduce poverty in the developing countries from which immigrants come by directly increasing the incomes of the recipients and helping them deal with crop failure, health crises, or children's education. They also provide a source of savings and capital for investment, usually in education, microenterprise, and better health—all of which have a high social return. In Guatemala, the World Bank estimates that remittances have reduced the severity of poverty by 20 percent.

The developmental impact of remittances can be increased by policies that help poor migrants and their families gain access to reliable, low-cost financial services for sending and receiving remittances. With its alliance partners, USAID is encouraging expansion of banking networks, building competition in the remittance transfer market through the introduction of new technologies and new competitors, and facilitating the participation of microfinance institutions and credit unions in providing low-cost remittance services.

Sources include: Global Economic Prospects 2006—International Remittances and Migration (Washington, DC: World Bank, 2005).

diaspora groups in the United States and nonprofit organizations serving migrants' interests.

MORE AID, FOR COUNTRIES THAT USE IT WELL

Since 2002, the industrial countries have publicly recognized the need to increase foreign aid for countries that cannot yet gain access to private flows of capital but that have adopted policies that enable them to make good use of increased aid. Substantial increases in ODA are expected in 2005–06 to meet commitments the developed countries made at and after the 2002 Monterrey Conference on Finance for Development.[5] African countries are likely to be the largest recipients of future increases in ODA. The Africa Action Plan announced at the G-8 Leaders' Summit in Kananaskis, Canada, in June 2002 suggested that "in aggregate half or more of our new development assistance could be directed to African nations that govern justly, invest in their own people, and promote economic freedom."

In March 2002, in the first major presidential address on foreign assistance in decades, President George W. Bush announced a New Compact for Development centered on the Millennium Challenge Account (MCA). By vowing to boost U.S. development assistance by 50 percent over three years (a $5 billion annual increase over current levels), the President proposed the largest increase in U.S. aid since the Truman administration. The United States has increased ODA even beyond President Bush's pledge. U.S. assistance increased from $10 billion in 2000 to $19 billion in 2004—a quarter of the total from the countries of the Organisation for Economic Co-operation and Development and the largest increase in any five-year period in postwar history.

MCA provides development assistance to countries that rule justly, invest in their people, and encourage economic freedom.[6] A year later, the President announced his Emergency Plan for AIDS Relief, a five-year, $15 billion, multifaceted approach to combating HIV/AIDS; it is the largest commitment ever

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S NINE PRINCIPLES OF DEVELOPMENT ASSISTANCE

Today, USAID's principles of development assistance reflect a global consensus about development that includes all of the factors discussed above. The agency's nine principles are:

1. OWNERSHIP Build on the leadership, participation, and commitment of a country and its people.

2. CAPACITY BUILDING Strengthen local institutions, transfer technical skills, and promote appropriate policies.

3. SUSTAINABILITY Design programs to ensure their impact endures.

4. SELECTIVITY Allocate resources based on need, local commitment, and foreign policy interests.

5. ASSESSMENT Conduct careful research, adapt best practices, and design for local conditions.

6. RESULTS Focus resources to achieve clearly defined, measurable, strategically focused objectives.

7. PARTNERSHIP Collaborate closely with governments, communities, donors, NGOs, the private sector, international organizations, and universities.

8. FLEXIBILITY Adjust to changing conditions, take advantage of opportunities, and maximize efficiency.

9. ACCOUNTABILITY Design accountability and transparency into systems and build effective checks and balances to guard against corruption.

by a single nation to an international health initiative. In his second term, President Bush supported the debt-relief plan approved by the G-8 leaders at their July 2005 summit in Scotland (involving immediate cancellation of $40 billion in debt owed by 18 countries to international financial institutions) and unveiled a $1.7 billion aid plan for Africa, the centerpiece of which is a plan to fight malaria, a leading killer of children there.

Using aid well requires political will, functioning institutions, and a coherent, homegrown strategy to reduce poverty and promote equitable, sustainable economic growth. To have maximum development impact, projects must be consistent with the development priorities of the host country, as expressed in its national development strategy or in a poverty reduction strategy devised in cooperation with the World Bank and the International Monetary Fund (IMF). Projects that fit within the strategy are more likely to be "owned" by the ultimate beneficiary, and more likely to benefit from active participation of the host-country government and local NGOs, citizens, and other stakeholders. Properly planned, they do not duplicate or compete with other efforts by the beneficiary or other donors, and do not impose onerous conditions or reporting requirements on the recipient.

Owned projects are more likely than those imposed by outside actors to complement other development efforts and to contribute to and benefit from synergies and spin-offs. They are less likely than projects that are not integrated or consistent with the host country's development priorities to be undermined, intentionally or unintentionally, by conflicting government policies or to see their support eroded by claims from competing projects and priorities.

There is ample evidence that aid usually is not the limiting factor on national development. Development progress depends, first and foremost, on governments having the political will to rule justly, promote economic freedom, invest in people, and create an environment in which competition can flourish.[7]

Competitive, well-regulated private markets are indispensable because they are the most effective institution ever devised for allocating resources efficiently, for fostering innovation, and for communicating information that helps consumers and producers make decisions. Regulatory frameworks should aim to build the public's confidence in private markets to protect property, enforce contracts, and generally respect the rule of law.

A NEW MINDSET FOR NEW CHALLENGES

Guiding the new global consensus about development are goals established by the international community. In September 2000, 189 heads of state ratified the Millennium Declaration, one of the most significant United Nations documents of recent times. The declaration articulated a set of Millennium Development Goals (MDGs) focused on reducing poverty, improving the quality of people's lives, ensuring environmental sustainability, and building alliances to make globalization a positive force for all the world's people. Specific targets and indicators have been set for each of the goals, to be achieved by 2015.

The MDGs are ambitious and not likely to be met through conventional top-down approaches to development, no matter how well funded. Instead, the combined efforts of many stakeholders, working in cooperation, will be required in a push-pull approach that offers more and better targeted aid while simultaneously stimulating domestic demand for honest, transparent governance. But coordinating multiple partners with diverse interests to achieve shared goals requires specific skills from all partners, including firms and governments. Firms must learn to accommodate stakeholders other than shareholders and regulators in their planning and operations. Governments, for their part, have to learn to "govern by network."[8] In this new model of governance, with implications for business as well as government, officials do more than manage people and programs in hierarchical structures—they manage relationships among a shifting range of partners and marshal the resources of those partners to produce public value.

USAID's emphasis on working in partnership, rather than in isolation, is an expression of the Bush administration's recognition of the sources of national strength and security in the modern world. It also reflects a broad change in the role of donors in development. Traditional donors, including foreign governments, the World Bank, and the United Nations, know that they are no longer the sole sources of development resources, ideas, or efforts. "To effect change and improve the living conditions of billions of people in a sustainable manner," reads a recent report from the United Nations, "partnering with civil society and business is more than just an option… it has turned into a necessity."[9]

ORIGINS OF THE GLOBAL DEVELOPMENT ALLIANCE

Conceived by USAID career staff during the transition to the Bush administration, the GDA concept was heartily endorsed by Andrew Natsios, incoming USAID administrator, and Colin S. Powell, then secretary of state, who featured it in testimony to Congress in May 2001 as a new approach to implementing foreign assistance.

A team of leading thinkers in USAID, supplemented by several key political appointees, fleshed out the concept and began implementation.[10] Career foreign service officer Holly Wise was appointed as founding director of the newly created GDA Secretariat in November 2001. The team built on and expanded USAID's long history of working in partnership with NGOs, foundations, and international organizations. In addition, USAID's ties to private companies, previously limited, were rapidly expanded. In keeping with the new realities of development assistance, in which the private sector and civil society were playing larger roles, USAID would welcome its partners as equals, to participate not only in the implementation of development projects, but now also in their identification, design, and funding.

USAID AND THE POSTWAR EVOLUTION OF DEVELOPMENT ASSISTANCE

Although USAID's predecessors date back to the Marshall Plan, the Truman administration's Point Four Program, and Eisenhower's International Cooperation Administration, among others, USAID in its present form was created by President Kennedy in 1961, following passage of the Foreign Assistance Act.

The new directions stressed in the 1961 act were a dedication to development as a long-term effort requiring country-by-country planning and a commitment of resources on a multiyear, programmed basis. The new focus was to achieve economic growth and democratic, political stability in the developing world to combat both the spread of ideological threats such as communism and the threat of instability arising from poverty.

Alongside USAID's four regional bureaus, three functional bureaus and one office manage the agency's transnational themes or "pillars":

- Global health
- Economic growth, agriculture, and trade
- Democracy, conflict, and humanitarian assistance
- And a cross-cutting pillar, the Global Development Alliance

Historically, USAID has moved away from providing so-called budget support to foreign governments (the direct funding often used by European aid agencies), preferring to target its efforts on specific development goals through cooperation with private voluntary agencies, international and local NGOs, and, in recent years, private companies whose goals and practices complement those of USAID and the countries in which they operate.

With an annual budget of almost $14 billion (less than one-half of 1 percent of the federal budget) and a staff of about 7,500, the agency manages programs in more than 100 countries, in close partnership with NGOs, indigenous groups, universities, American businesses, international organizations, other governments, trade and professional associations, faith-based organizations, consulting firms, and other U.S. government agencies.

USAID is led by an administrator appointed by the President and confirmed by the Senate.

No longer would the agency necessarily be the "majority shareholder" in the alliances it forged. The key would be to unite the skills and resources of several partners, including private companies, each with its own special strengths, and to apply them to a problem that no one actor could solve alone. The GDA initiative thus represented a shift in the role of USAID, from being primarily a funder of development projects to being an equal partner and manager of collaborative public–private relationships.

The new plan required changes at USAID—from the manner in which assistance projects were conceived to the specific modalities used to pay for them. But it drew on significant strengths within the agency and decades of agency experience in promoting sustainable development in countries around the globe. Notable among those strengths were USAID's extensive overseas presence, its credibility with developing-country policymakers, a dense network of NGO partners, and its history of alliances and partnerships.

FORERUNNERS OF THE ALLIANCE APPROACH WITHIN THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

The concept of public–private alliances has strong precedents in USAID. The Matching Grant Program in the Office of Private and Voluntary Cooperation, established in 1980, enabled USAID to support international, indigenous, and U.S.-based NGOs that cultivated relationships with for-profit firms, foundations, and other partners previously outside the USAID orbit. When NGOs secured funds from such partners, USAID could match the investment and so expand budding NGO–private sector relationships and build the capacity of NGOs by challenging them to bring dollar-for-dollar resources to the table. By the mid-1990s, the agency was encouraging NGOs to develop relationships with companies. Conservation International's program with Starbucks Coffee Company, which began in 1997, was a product of that new emphasis (chapter 3).

THE OFFICE OF GLOBAL DEVELOPMENT ALLIANCES: CHANGE AGENT

The Office of Global Development Alliances (GDA) reports to the administrator of the U.S. Agency for International Development (USAID). In pursuit of its goal of institutionalizing public–private alliances within USAID, it provides support and services to agency staff and partners as they conceive and develop alliances. It also provides guidance for prospective alliance partners. GDA has a core staff of six people: five program specialists and the director.

But GDA represents a significant evolution in partnership thinking at USAID, particularly in the role accorded to private firms and philanthropic foundations in the definition as well as in the execution of international development activities. Partners in public–private alliances include organizations that have never before partnered with the U.S. government.

Other GDA forerunners at USAID were the New Partnership Initiative (NPI), which ran from 1995 to 2000. NPI focused on engaging local NGO partners and stakeholders overseas. It encouraged an alliance approach, but with limited staff and financial resources. The Global Trade and Technology Network (1994–2004) used an Internet platform to facilitate linkages for trade among small and medium-sized businesses in the United States and overseas.

Non-USAID initiatives also influenced the GDA business model. The World Bank's Business Partners for Development, a pilot project from 1998 to 2001, convened and seed-funded four public–private alliances. Still other initiatives sprang up simultaneously with GDA—among them the U.N. Global Compact. A direct initiative of Secretary-General Kofi Annan, launched in July 2000, the U.N. Global Compact encourages companies to abide by 10 social and environmental principles to promote responsible corporate citizenship.

A CLEAR VISION

With the creation of the GDA Secretariat, USAID Admininstrator Andrew S. Natsios also authorized the creation of a modest incentive fund to support demonstration projects as well as training and other activities required for transition to the GDA model.

With intellectual and financial resources from the GDA Secretariat, reforms in hiring and procurement policies, and a small number of successful projects that demonstrated the dynamism of the new approach, public-private alliances were progressively adopted by USAID's field staff, who began to explore alliances with partners in their geographic and sectoral spheres. Staff in the agency's bureaus and regions have been a steady source of alliance initiatives, complementing the many good ideas submitted in response to GDA's annual program statement.[11]

The patterns of adoption of the alliance approach by the agency's bureaus and missions reflected their priorities and the differing contexts in which they operate. In some cases alliance opportunities were already obvious; in others, they had to be sought out through the diligence of staff. Several bureaus formed alliances at the bureau level; others delegated responsibility for alliance building to their country missions. Some concentrated alliance-building in a specific sector, such as health or education; others did not. Some preferred to begin with a few large alliances; others looked for small demonstration projects to test the concept. All have supported the alliance approach with funds, outreach, and good ideas. It is now ingrained, and thriving, in all bureaus.

In GDA's first years, four dozen alliances, often global or multiregional in scope, were managed by the functional bureaus organized

SOME LESSONS LEARNED ON ORGANIZATION CHANGE

1. Nothing succeeds like success. A few early successes demonstrated the potential of the GDA model to internal and external audiences. USAID's alliances with Chevron Corporation (chapter 4) and Cisco Systems (chapter 6) played this role.

2. Invest in staff. GDA developed a two-day workshop on alliance building for USAID staff in Washington and in the field. GDA's *Tools for Alliance Builders* guides staff (and external partners) seeking to build alliances.

3. Adapt and change. Once it became clear that changes were needed in USAID's traditional processes to facilitate alliance building, the agency responded with a new solicitation tool (the annual program statement) and a new funding instrument (the collaboration agreement).

4. Respect the organization's existing strengths and culture. USAID is a decentralized organization that empowers those closest to problems in the field. Accordingly, selection and management of alliances now takes place at the mission level so that partnerships closely match the objectives of USAID field staff.

5. Tell your story to all who will listen. GDA delivers its message about public–private alliances around the world and down the hall.

6. Make it easy to say yes. The administrator ensured that GDA had a small incentive fund to encourage innovative alliances built by USAID missions. GDA asks people inside and outside the agency to accept a new way of doing business. Setting up meetings, writing the first draft, paying for the conference call — all help make it easier to begin the discussion.

7. Establish honest metrics, and use them. GDA has simple metrics to measure success. One is the number of new alliances built over time. Another is the amount of money leveraged by the agency. GDA keeps "alliance-like" activities off of the list and has excluded some of the very large global health alliances that would have skewed leverage numbers.

8. Reward and recognize. GDA recognizes the "Alliance of the Year" and the USAID professional who does the most to support alliance building each year. In 2005, the Alliance of the Year was the Balkan Trust for Democracy (chapter 5).

**USAID'S INNOVATIVE APPROACH IS ATTRACTING ATTENTION…
AND WINNING PRIZES**

November 2005. For its groundbreaking use of public–private partnerships to achieve significant development results, USAID's Global Development Alliance (GDA) has been named the inaugural winner of the Lewis and Clark Award for Innovation in Collaborative Governance. The award is a joint effort of the Weil Program on Collaborative Governance and the Ash Institute for Democratic Governance and Innovation, both located in Harvard's Kennedy School of Government. The award celebrates real-world success in collaborative governance across government, business, and civil society.

"GDA represents the evolution of a loose bundle of partnership models into a more disciplined and deliberate rubric for the sharing of discretion between parties whose interests overlap but are far from identical," noted John D. Donahue, director of the Weil Program, in announcing the award.

April 2005. GDA was selected from among 1,000 applicants as one of 18 finalists for the Innovations in American Government Awards. Often referred to as the "Oscars of government," the Innovations Award is a program of the Ash Institute, administered in partnership with the Council for Excellence in Government. GDA was a semi-finalist for the award in 2004.

around USAID's other three pillars—economic growth, agriculture, and trade; global health; and democracy, conflict, and humanitarian assistance.

By 2003, GDA had initiated hundreds of contacts with corporate partners and played an active role in either facilitating the creation of public–private alliances through the appropriate USAID bureaus and missions, or directly initiating alliances through GDA incentive funds.

In addition to corporate contacts, GDA built relationships with foundations, surveying the landscape of foundation donors in an effort to coordinate USAID efforts with the interests and priorities of public, private, and corporate foundations in the United States. The unprecedented philanthropy of Bill and Melinda Gates and other wealthy individuals had recently emerged, and part of GDA's role was to prepare USAID to accommodate itself to the sudden "supply shock" of increased funding for vaccines and HIV/AIDS.

But GDA also cultivated relationships with smaller foundations that were taking an active interest in development issues. Executives of the Case Foundation, for example, joined USAID in planning support for initiatives such as a network of computer stations in Jordan and a social enterprise venture to provide revenue-generating products to rural producers in Kenya and Tanzania (chapter 8).

Several bilateral donors are adapting the alliance approach to their own agencies. For example, GDA has met with senior officials in Japan, Spain, and other countries to discuss how they can use public–private alliances in their own operations. The United Nations Development Programme (UNDP) and the German foreign aid agency (GTZ) have developed alliance initiatives and policies on a parallel track with GDA. In reference to UNDP's work with USAID and Chevron Corporation in Angola, former UNDP administrator Mark Malloch Brown declared that the Angola Enterprise Fund created by the alliance could "set an example for how public–private alliances can benefit the poorest in a very tangible way."

1. Other categories of growing assistance are international giving by independent and corporate foundations, other corporate giving, and transfers (including in-kind transfers, such as know-how and scholarships) by NGOs and educational institutions.

2. U.S. General Accounting Office, "USAID Relies Heavily on Nongovernmental Organizations" (Washington, DC, April 2002).

3. See, for example, Michael E. Porter and Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*, December 2002, pp .5–6, and David Grayson and Adrian Hodges, *Corporate Social Opportunity: Seven Steps to Make Corporate Social Responsibility Work for Your Business* (Sheffield, England: Greenleaf, 2004). Grayson and Hodges define corporate social opportunities as "commercially viable activities which also advance environmental and social sustainability."

4. See *Global Economic Prospects 2006—Economic Implications of Remittances and Migration* (Washington, DC: World Bank, 2005).

5. ODA increased to $78.6 billion in 2004, the highest level ever. The United States is the largest aid donor in volume terms, followed by Japan, France, the United Kingdom, and Germany. Net ODA from the United States in 2004 was $19 billion, about a quarter of the world total, and a 14.1 percent increase in real terms from 2003. Source: OECD Development Assistance Committee and World Bank.

6. The Millennium Challenge Account began with nearly $1 billion in funding in 2004, and President Bush has asked that the 2006 amount be tripled, followed by annual funding of $5 billion. The administration requested $4.1 billion for USAID programs for the fiscal year that begins in October and runs through September 2006. The agency also would help manage and disburse some of the funding for other U.S. aid programs, including a requested $2 billion for the Global HIV/AIDS Initiative and $3 billion for the MCA. USAID proposes allocating more money to countries that have demonstrated a commitment to reform but do not meet strict MCA criteria.

7. The Report of the United Nations Commission on the Private Sector and Development estimates that developing countries have $9.4 trillion dollars in private financial assets that cannot be fully mobilized for development, largely because of corruption and inadequate legal protections for property and contracts. In one developing country, according to the World Bank's *Doing Business in 2004—Understanding Regulation* (New York: Oxford University Press, 2004), it takes 203 days to register a business; in another enforcing a contract takes 1,459 days. Such barriers to business formation and entrepreneurship keep businesses small and informal.

8. Stephen Goldsmith and William D. Eggers, *Governing by Network: The New Shape of the Public Sector* (Washington, DC: Brookings, 2004).

9. See, for example, Jan Martin Witte and Wolfgang Reinicke, *Business UNusual — Facilitating United Nations Reform through Partnerships* (New York: United Nations, 2005).

10. The members of the USAID task force that gave life to GDA were (in alphabetical order): Colleen Allen, Thomas Anklewich, Joan Atherton, Chris Brown, Lawrence Brown, Letitia Butler, Rebecca Cohn, Pamela Cullen, Judith Gilmore, Carol Grigsby, Martin Hewitt, Scott Kleinberg, Kenneth Lanza, Bob Lester, Adele Liskov, Drew Luten, Delbert McCluskey, Linda Morse (chair), Kathleen O'Hara, Dana Peterson, Patricia Ramsey, Curt Reintsma, Wade Warren, John Wilkinson, and Holly Wise. For "outstanding teamwork in the conceptualization and articulation of the GDA business model," the team received USAID's Meritorious Unit Award in 2001.

    The members of GDA's interim secretariat were (in alphabetical order) Joseph Fredericks, Robert Goodwin, Martin Hewitt, Yumiko Ikuta, Jillian Inmon, Kurt Low, Linda Morse, Suzanne Nolte, Curt Reintsma, Reyna Rice, Lane Smith, and Holly Wise (interim director). The team received USAID's Meritorious Unit Award in 2001 for "outstanding teamwork, critical thinking, and innovation in the development of operational details and an implementation plan to support the GDA business model."

11. GDA's annual program statement for fiscal year 2006 was issued on November 10, 2005. The annual program statement specifies the type and scope of projects that may be considered for funding. It is available at www.usaid.gov/gda and on www.fedgrants.gov.

BUILDING DEVELOPMENT ALLIANCES

THE GDA MODEL AT WORK

A public–private alliance in the mold of the Global Development Alliance (GDA) is a formal agreement between two or more parties to define and address a development problem. Alliance partners combine resources and share risks in pursuit of common objectives, while recognizing that each partner will have other objectives not shared by other members of the alliance. There is no predefined maximum number of partners; each alliance is different.

Alliances bring together the resources of the U.S. Agency for International Development (USAID) and partners to solve problems that exceed the capabilities of individual actors. Those resources are as diverse as the alliances themselves. In addition to cash, they include human capital, technology and intellectual property, market access, cutting-edge business practices, policy influence, in-country networks, and expertise in development programs ranging from international trade to biodiversity protection. Because local ownership, leadership, and participation are important keys to success in development projects, alliance activities that involve local leaders and beneficiaries in design and implementation are most likely to be sustainable.

As of the end of fiscal year 2004, 339 corporate and 89 foundation partners were participants with USAID in a growing network of approximately 290 public–private alliances for development—in areas such as education, health, safe water, youth vocational training, information technology, forest certification, and small-enterprise development. The American people contributed $1.1 billion to those alliances through the USAID budget during the three fiscal years from 2002 to 2004. That contribution was more than tripled by GDA's for-profit and nonprofit alliance partners, yielding a grand total of almost $5 billion in development assistance.[1]

WHO PARTICIPATES IN ALLIANCES, AND WHY?

Effective public–private alliances draw on the comparative advantages of varied alliance partners, each of which brings unique strengths to the solution of a pressing development problem.

THE GLOBAL DEVELOPMENT ALLIANCE BUSINESS MODEL IN BRIEF

Public–private alliances may be initiated from within USAID, but most come from outside. They typically involve at least three alliance partners (at least one private firm and at least one nongovernmental organization in addition to USAID). USAID may provide no more than half of an alliance's resources; a ratio of at least 3 to 1 is sought. The private contribution to the alliance must be at least 25 percent of its value, but it need not all be in cash. Contributions of goods, intellectual property, and volunteer time may also be counted.

The chief characteristics of the Global Development Alliance business model are:

- Joint definition of a development problem not likely to be solved by a single actor
- Sharing of resources, risks, and results in pursuit of the agreed objective by a single actor, and of the solution to that problem
- Use of innovative approaches that exploit the comparative advantage of each alliance partner
- Leveraging of resources, both financial and in-kind.

For more on the GDA business model, visit www.usaid.gov/gda.

THE ROLE OF BUSINESS

Firms exploring alliances may be motivated by direct or indirect business interests, or by their policy of corporate social responsibility. Although alliances formed under GDA are not designed to promote a particular company's position or entry to a particular market, many alliances advance direct business interests by improving the quality and reliability of raw materials and other inputs, the health and skills of the workforce, the quality of infrastructure and trade facilities, the predictability of regulation, and the security of property rights. Many USAID-sponsored programs address issues of vital importance to businesses operating in the developing world—among them the rule of law, control of corruption, efficient courts, effective contract enforcement, and eased restrictions on investment, all of which enhance the environment for business activity for alliance partners and society at large.

Other alliances are motivated by corporate social responsibility (CSR), a subject that has evolved greatly in the last decade, as discussed in chapter 1. CSR makes good business sense in countries where companies operate. Socially responsible corporate performance can improve their financial performance, reduce operating costs, enhance brand image and reputation, and increase sales and customer loyalty, among other benefits. CSR also meets investor expectations and creates shareholder value.

In return, business activity reinforces development work. Success in business turns on the ability to set and achieve targets efficiently. When targets include a social component to be achieved in partnership with government and NGOs, corporate skill at analyzing problems, marshaling resources, and eliminating bottlenecks can energize all partners. With their eye for productivity, efficiency, and results, corporate philanthropists can identify and mentor effective NGOs, transferring to their partners, by example or more formal means, technical skill, advanced technology, and good management practice. Alert to the value of technical and managerial breakthroughs in radically enhancing productivity and thus competitiveness, corporations spread a taste for innovation among alliance partners. At a more mundane level, corporate skill at managing inputs in complex supply chains and production processes applies directly to the resolution of development problems, provided firms are well advised by partners on the social, cultural, and sovereign aspects of those problems. Moreover, the credibility and cachet of leading companies can pique the interest of other firms and organizations in the work of the partnership, a phenomenon that Michael Porter calls "signaling other funders." Corporations are also adept at advertising the value of their results, which can sustain alliances and help them grow.

Private companies also provide access to markets and capital and are well positioned to address other global challenges, such as protecting the environment and fostering equitable labor practices, often through the adoption of international industry-wide standards negotiated with governments and multilateral organizations.

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S PARTNERS ARE A VARIED GROUP

- Businesses and business trade associations
- Foundations and philanthropies
- Faith-based groups
- Diaspora communities
- Nongovernmental organizations and civic groups
- Institutions of higher learning
- International organizations, such as the United Nations and the World Bank
- Development consulting firms
- U.S. cities and states, and other U.S. government agencies
- Governments of other industrial nations
- Host-country governments and state-owned enterprises

THE ROLE OF FOUNDATIONS AND NONGOVERNMENTAL ORGANIZATIONS

Foundations are an increasingly important source of funds, ideas, and operating expertise for public–private alliances in development. American foundations large and small, old and new, spent $3 billion in developing countries in 2004 supporting civil society groups and democracy-building, ensuring the sustainable management and exploitation of natural resources, funding health campaigns of global reach, helping people acquire technical skills to lift them from poverty, and healing the wounds of civil strife and natural disaster (chapters 5–7). Foundations are making particularly important contributions to global health; in 2002, the last year for which comprehensive data are available, U.S. foundations gave more than $707 million for international health programs.[2]

The foundation community includes large entities such as the Ford, Kellogg, and Rockefeller foundations, which combine research support with implementation. USAID has worked with such "traditional" partners since its founding—for example, with the Rockefeller Foundation in developing and disseminating the seed strains that boosted agricultural yields in the developing world in the 1960s during the Green Revolution. The community also includes growing numbers of family foundations in the United States and the developing world such as the Aga Khan Foundation, AlvarAlice Foundation, Case Foundation, Conrad N. Hilton Foundation, and Lincy Foundation.

With their ability to move quickly and target resources precisely, foundations are often the first to demonstrate what can be done to tackle a given development problem efficiently. In so doing, they catalyze other resources and hold governments accountable.

NGOs—not-for-profit entities characterized by a commitment to furthering humanitarian aims—play an essential role in the formation and implementation of public–private alliances.[3] International NGOs often broker alliances between the public and private sectors, as in the case of the International Youth Foundation, which has brought USAID together with a dozen major companies to provide jobs for young people in Latin America (chapter 6).

Local NGOs arrange for the participation of beneficiary communities in development projects. In so doing, they build their local capacity for advocacy and social action.

NGOs naturally serve to bridge government and commercial sectors in the development of a public–private alliance. Their involvement provides an important sense of legitimacy for such alliances, as it ensures that humanitarian, community-based interests will be represented in the relationship. NGOs may offer the advantages of being able to operate in politically sensitive situations, to deploy assistance more quickly than official donors, and to work smoothly with governments and communities with which they have established relationships. NGOs also foster pluralism, voluntarism, and compassion—values that have characterized the United States throughout its history.

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S ROLE

USAID provides leadership by bringing together potential alliance partners around a specific development problem in a specific country or region. This convening power has proved to be a powerful tool to inform potential partners about the possibilities of the new model, and to generate ideas for new alliances.

USAID also contributes financially to alliance development, through the GDA Incentive Fund, and to implementation, through direct contributions to alliances. GDA may tap other sectors of USAID to link alliance activities with ongoing activities and so access additional sources of funding and technical expertise.

USAID's staff assesses needs for assistance through field visits, surveys, and interviews; prioritizes programs for support by analyzing policy, legislation, country needs, and funding availability; negotiates with host-country authorities policy changes that will increase the development impact of the alliance's work; and monitors progress by visiting program sites, reviewing implementers' reports, and meeting frequently with counterparts. USAID also gathers data on alliances and reports to Congress and the American people on the progress leveraged with public funds.

WHAT DOES THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT BRING TO ALLIANCES?

- Long-term country presence with commitment to economic growth
- Financial resources
- Working relationships with developing country governments, and with U.S. and local firms and nongovernmental organizations
- Knowledge of language, culture, customs, and political context
- Expertise in project management, including monitoring and evaluation, and in technical matters related to development
- Ability to undertake policy, social, and investment research

CONCEIVING, DEVELOPING, AND IMPLEMENTING AN ALLIANCE

From the preliminary idea to written agreement on roles and responsibilities, the development of an alliance takes time. Prospective partners may come together at a forum or conference to develop the idea of the alliance and examine the potential risks and benefits of working together on a development problem. Before the first formal meeting, prospective partners should become familiar with the aims and experience of others.

Among the key questions:

- What are the results to be achieved, and how will performance be measured?
- How will activities be financed and how will the funding be managed? Most alliances are financed in parallel, with each partner retaining control of its funds. Pooled financing, where the partners deposit contributions into a single fund, is an alternative used primarily in large health-related alliances.

The initial stages require support from senior managers and staff time and resources to settle the details. For high-profile alliances, the time required of senior management may be significant. Staffing or a reconfiguration of

PRECONDITIONS FOR SUCCESS: AN ALLIANCE CHECKLIST

- **Common cause.** The issue to be addressed by the alliance is important to prospective alliance members. It is clear why forming an alliance is a good solution.
- **Belief in alliances as a strategy.** Prospective alliance members believe that cooperation can achieve more than going it alone. Alliance members are willing to treat each other as equal partners.
- **Presence of a convener.** At least one prospective alliance member has the standing to call the other alliance members to the table.
- **Principled behavior.** The U.S. Agency for International Development aligns itself with entities whose interests are compatible with USAID's and whose practices do not pose reputational risks for the alliance or for the agency.
- **Resources.** Financial and human resources to support the alliance are available.
- **Willingness to explore opportunities.** Alliance members are willing to take risks together that individually they might be unwilling to take; they are willing to work together creatively in doing so.

staffing may be required to implement an alliance effectively.

Alliance partners must commit to certain precepts—among them joint definition of the problem and joint pursuit of its solution; sharing of resources (financial, technical, intellectual, proprietary, in-kind) in pursuit of the common objective; openness to flexibility and innovation in getting the job done, including the possibility of adding new partners; and leveraging significant resources. For that reason, alliances should be formalized through instruments that establish the purpose of the alliance, define objectives and managing principles and procedures, and specify funding mechanisms and arrangements for the alliance. These instruments are not mutually exclusive; several instruments may be used in the process of creating any particular alliance. Possible instruments that may be used to formalize an alliance include:

- A memorandum of understanding or equivalent
- A funding award (contract, grant, cooperative agreement, or collaboration agreement) from USAID following a competitive selection process

Setting an alliance in motion requires agreement on the approach the alliance will take to address the problem around which the partners have coalesced, including the development of an action plan that addresses key points requiring clarification. The points of the action plan should include the development of implementation plans, resource allocation decisions, and attention to adjustments in the alliance to the different interests of the alliance members in the development of detailed plans. The many points to be considered are detailed in GDA's reference manual, *Tools for Alliance Builders*, available in PDF form at www.usaid.gov/gda.

GDA can assist in the formation process by connecting prospective strategic partners; providing support during different phases of alliance building; and clarifying USAID policies and standards. *Tools for Alliance Builders,* prepared by GDA, covers the phases of the alliance development process, from determining whether an alliance is appropriate, to getting alliances underway, to outlining the steps involved in formalizing and managing the relationship.

USAID performs a "due diligence" investigation of prospective partners before engaging in negotiations to establish an alliance.

USAID uses a variety of tools to assess corporate behavior and looks at:

- Economic performance
- Environmental record
- Social responsibility (respect for human rights, support for labor and environmental standards, and an interest in sustainable development).

USAID missions work with the U.S. embassy and others to make local determinations of the suitability of prospective alliance partners.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FUNDING MECHANISMS

The USAID contribution to alliances may take one of several forms. The agency uses three main instruments to obligate public funds under traditional vendor-client arrangements between USAID and implementing partners: acquisition *contracts* for the purchase of goods and services, and assistance agreements to award grants and cooperative agreements. *Grants* are made primarily to nonprofit organizations to carry out programs in support of a public purpose. *Cooperative agreements* are similar to grants, but USAID maintains substantial involvement in the activity covered by the award. To date, most alliances have been funded through cooperative agreements and grants.

USAID has recently developed a new funding mechanism—the *collaboration agreement*—to facilitate the formation of public–private alliances. Neither contract nor grant, the collaboration agreement is a procurement innovation that allows USAID to engage with a resource partner (such as a corporation or foundation) at a strategic level. It also allows USAID to program and fund alliances more quickly than before. The four criteria for its use are:

- The proposed alliance must be within the GDA precepts and consistent with the terms of GDA's annual program statement.
- A compelling reason must exist to commingle USAID and partners' funding resources for joint programming.
- Other implementing mechanisms must have been considered and rejected as unfeasible or inappropriate.
- A partner, notably a nontraditional partner,[4] will receive USAID funds directly under the alliance.

The collaboration agreement is an innovation that will prove instrumental in streamlining funding for alliances. Nevertheless, the agency foresees that most alliance funding will continue to be provided through cooperative agreements.

HOW HAVE ALLIANCE PARTNERS HAD TO ADAPT TO MAKE ALLIANCES WORK?

When different organizations, each imbued with a distinct culture, find themselves in a partnership, they must adapt to one another and learn to speak each other's language.

Despite a long history of working with foundations and NGOs, the agency understood that the business model represented by GDA would require significant changes in the agency's institutional culture. Redirecting a large organization is never easy.

GDA's status as a pillar ensured that public–private alliances would be incorporated, at least formally, in the strategies of USAID's bureaus and missions. GDA promoted that process by championing the partnership idea and providing model language. To convert formal adoption into live alliances, the agency identified the specific skills needed to build and broker alliances, and then ensured that personnel in the bureaus and missions possessed those skills. A program of alliance-building workshops presented by GDA and newly recruited alliance participants gave agency staff in Washington and overseas a taste of the challenges and the potential of public–private alliances. Those workshops have trained more than 1,000 USAID professionals, who have responded by bringing new partners to the table—among them corporations, foundations, universities, and faith-based organizations.

Finally, as already noted, the agency adapted its funding mechanisms to accommodate new types of partners. To invite good ideas from prospective partners, it began to issue an annual program statement (APS) that sets forth in clear and simple terms the parameters of fundable alliances. The APS for fiscal year 2006 was published on www.fedgrants.gov on November 10, 2005.

USAID's traditional implementing partners have had to make changes as well. The most obvious adjustments for NGOs accustomed to using agency money to accomplish tasks spelled out by the agency are the GDA requirement for leveraged funds, the enlargement of the scope of the typical alliance to include business firms and philanthropic foundations, and the concomitant sharing of responsibilities for designing and planning (in addition to implementing) development operations.

Each alliance partner tends to bring to the bargaining table certain "implicit interests"—limitations or assumptions that must be made explicit and reconciled with other partners' practices if fissures are to be avoided later. Partners' implicit constraints can be found along several distinct dimensions:

Geographic and sectoral. Partnerships only work when the parties' geographic and sectoral interests overlap. Prospective alliance partners may be willing to work in one area of a country but not in another. For instance, USAID often selects one or two regions of a developing country in which to work. Such geographic decisions are a result of consultations with developing country governments and the U.S. government's interagency process. Sometimes, companies and donors have reasons to focus on a particular part of the country—for example, the one in which their facility is based or where they source their crops. A foundation may have a history of grant-making in a certain region. Failure to understand such limits at the outset may prevent a successful alliance from scaling up later.

Alliance partners also have to come to general agreement about sectors. For example, alliance partners may agree in a memorandum of understanding that they will work in the "education, enterprise development, and other sectors." In other cases, alliance partners come with very fixed ideas about what an appropriate project might be.

Financial. Partners usually have an idea of how much they are willing to spend (in cash and other assets) on a given activity, and for how long. Such limits must be acknowledged and made explicit. Sometimes prospective alliance partners do not know or are unwilling to divulge what they are willing to contribute. They may be flexible (susceptible to adjustment as results are achieved) or they may have "hard budget constraints."

Temporal. Are partners in it for the long haul? There is no right or wrong answer, except with reference to the development challenge and the other partners' expectations. Corporate partners that join alliances that affect their core business interests tend to be long-term players, offering their NGO partners (local and international) significant opportunities to benefit from transfers of technical and managerial skill.

Relational. Prospective alliance partners often have preferred implementing partners. Sometimes alliance partners come with implementing partners. Often implementing partners come with funding partners in tow. It is important to understand the relationships and whether they make sense in light of the stated purpose of the alliance.

Some private firms may be reluctant to join alliances with direct competitors. On the other hand, some of the most productive alliances are centered on groups of firms working together to resolve collective industry supply chain issues, improve the business climate for a sector, or otherwise improve the context (economic, social, political, or environmental) in which they all must operate.

Interests can change. Time tables can change. Facts on the ground can change. These realities affect the alliance calculus. Understanding and negotiating through these interests takes time and discussion to make the implicit explicit and to devise compromises and working arrangements that suit all partners. As alliances unfold and partners learn to trust each other, constraints can become more flexible, but they must be accommodated initially or trust may be crowded out by conflict. Lasting alliances are living, changing entities. Many start small and expand over time as the alliance matures and succeeds, trust is built, and the benefits to the partners become clearer.

Organizations accustomed to acting quickly on an idea, especially when they bring substantial money or resources to the table can learn from the example of the German Marshall Fund and the Charles Stewart Mott Foundation as they advanced the idea of the Balkan Trust for Democracy over three years beginning in 2000—navigating government regulations, competing to actualize their own idea, and eventually finding support within USAID that culminated in a 10-year partnership that won USAID's "Alliance of the Year" award for excellence in 2005. The two foundations took a long view to developing the alliance. Their patience paid dividends: the Balkan Trust has attracted new partners, new funding, and additional development expertise to guide the Trust's local and regional projects. USAID learned that it had to pay more attention to partners' differing priorities and constraints.

With several years of alliance experience under its belt (and a new procurement process and mechanism to obligate funds in its toolbox), USAID can implement an alliance much more quickly now than when the Balkan Trust was first proposed—generally about six months from idea to funding. Today, the binding factor is the time it takes to build trust and to learn each other's culture and language, goals, and methods.

EVALUATING ALLIANCES FOR EFFECTIVENESS

Alliance partners approach the challenge of monitoring and evaluation from their particular perspectives: USAID, NGOs, other aid organizations, institutions, foundations, and firms each have their own set of criteria and procedures for monitoring and evaluating projects. In an alliance, they must agree on shared criteria and procedures. But all alliance partners have an interest in measuring the effectiveness of their efforts, learning from experience, and building a body of knowledge that can be exploited by future alliances.

Different partners define success in different ways and hence may be interested in tracking different outcomes. In the Sustainable Forest Products Global Alliance, for example (chapter 3), IKEA and The Home Depot are most concerned about the levels of green timber production that can be achieved for a given input cost. The World Wildlife Foundation and The Nature Conservancy are more concerned with measuring the decline in illegal logging. USAID and other development agencies want to see the impact on farmers' income and, in turn, on the health and education achievement of rural families.

All are legitimate measures of alliance "success" that need to be assessed to determine whether an alliance is meeting the objectives of each alliance partner. The challenge is to knit these differing measures of success into an analytical framework that integrates each into the strategic logic of the alliance as a whole.

In designing any system for monitoring and evaluation (M&E), it is necessary to strike a balance between the value of the information collected and the costs in time and dollars to collect it. The key consideration is what information is needed to:

- Effectively manage alliance resources, ensuring that alliance managers can get information they need to make mid-course corrections as appropriate

- Properly account to taxpayers, shareholders, and donors for funds expended
- Meet the information needs of other stakeholder groups—among them host governments, other donors engaged in related development programs, and additional partners who may be sought in the future to sustain or expand the alliance.

Determining what information is needed by whom and with what frequency and degree of rigor drives the design of the M&E system for the alliance. Once the scope of the desired system is defined, alliance managers must agree on how M&E activities will be funded, who will manage them, and how widely the data and analyses will be shared.

EVALUATING EFFECTIVENESS IN *ENTRA 21*

entra 21—a $27 million initiative that provides youth in Latin America and the Caribbean access to training, internships, mentoring, and placement services—has been implementing an evaluation process to help verify the effectiveness of its many projects. In 2005 it completed external reviews of eight projects: El Salvador (Agape), Dominican Republic (ISA), Peru (Alternativa), Panama (Cospae), Paraguay (CIRD), Colombia (Comfenalco), Brazil (CEPRO), Mexico (CIPEC), and Argentina (SES).

Evaluators are thoroughly oriented on *entra 21,* and become fluent in project terms, procedures, and other essential features. Data is collected about the sample group of participants and compared with baseline data in use by the program; focus groups are facilitated with different categories of graduates: youth in salaried employment, the self-employed and, unemployed youth looking for work. Supplemental data is gathered from a sample of employers and individuals who provide technical assistance to young entrepreneurs.

Results are disseminated in stakeholder dialogues and publications to maintain continuous improvement throughout the program.

Participation by the private sector partner in the design of an alliance M&E plan may introduce new approaches and create learning opportunities for all parties. Performance management practices are well known to corporate and NGO managers but may be widely different from those applied in USAID, creating an opportunity for cross-fertilization. Corporate and business sector partners may offer special expertise on cost-effective data collection on pricing and marketing, while USAID and its traditional partners can contribute expertise on measuring development impact.

Some firms measure the impact of their public–private alliances in terms of their CSR objectives, which typically turn on the firm's reputation and employee satisfaction. Others assess impact in terms of the results achieved by the programs they support. In alliances where corporate participation is linked to core business interests, the bottom line will figure in the evaluation of program results.

USAID's 2004 assessment of the GDA model found that many alliances had not yet developed effective alliance-wide M&E systems. Where such systems were in place, they were typically carried out by an independent contractor or other third party funded by the alliance specifically to perform M&E. The Indonesia Timber Alliance provides an example of this approach. Following a suggestion by Britain's Department for International Development, to construct a bigger M&E component from the beginning, USAID increased the budget for that purpose. The implementing partners then contracted a research institute to handle the task for the alliance. The system is set up so that each alliance activity is tracked separately and each partner's resource contribution linked to the activity it is funding. Each partner can learn, for example, how much of its contribution is going toward timber tracking and the specific amount of wood saved. Giving each partner a clear idea of what their resources are accomplishing is a matter of accountability—and a good way to build commitment and sustainability into an alliance.

Other alliances have plans to carry out both process and impact-level evaluations at various points in alliance implementation.

READING THE CASES THAT FOLLOW

The chapters that follow represent some of the best work in development today. Organized into categories that illustrate common features of USAID's Global Development Alliances, the case examples are just a fraction of those underway in countries and communities all over the world. There is no standard approach or model to follow; each alliance develops in a unique way. Participating organizations come in all sizes and types—from governments and major corporations to foundations, small businesses, and NGOs. They work in all sectors—community development, education, health, environmental sustainability, enterprise development, better governance, and post-conflict recovery—to name just a few. And their motivations differ. Community groups want to educate their children and protect their environment; businesses want a reliable supply of high-quality products. USAID has designed GDA so that they all can succeed. Through careful planning and mutual respect, partners with distinct but complementary goals can come together to produce astounding results. To learn how, read on.

1. Reported funding amounts for USAID and alliance partners include expended funds and projected commitments for future years. GDA maintains a limited database of alliances for the entire U.S. Agency for International Development. Gathered through the agency's annual reporting process, the data cover funding both from USAID and partners, resource leverage ratios, countries and regions where alliances are active, and minimal information on activities and programs. Health alliances are a special case, since the funding for some of the largest ones, such as the Global Alliance for Vaccines Initiative, which is highlighted in this report, runs in the hundreds of millions of dollars. Only contributions made after 2001 are counted in the database. In the name of conservative measurement, USAID excludes the very significant private investment resources leveraged from USAID's Development Credit Authority program. The highly successfu DCA is a credit guarantee that attracts hundreds of millions of dollars in loan capital for investment projects that support international development. USAID also does not include data from a large universe of "alliance like" activities with companies that do not meet certain GDA criteria (such as 1:1 leverage ratio). Missions do not include these partnership relationships in their annual reports and, therefore, are not captured in GDA data.
2. *International Grantmaking III*, Foundation Center, New York, 2004. The nation's independent foundations made 1,266 international health grants in 2002 totaling $693,797,861; U.S. corporate foundations made 227 grants totaling $13,538,457 in the same year.
3. For USAID, an NGO is a registered nonprofit organization that receives part of its annual revenue from the private sector; receives voluntary contributions of money, time, or in-kind support from the general public; is financially viable; has a board of directors; fits USAID priorities; and does not have terrorist ties. USAID-registered NGOs work in 159 countries in nearly every area of development. Most are involved in health, nutrition, or microenterprise.
4. According to guidelines issued by USAID's Office of Acquisitions and Assistance, a "non-traditional partner is a private organization offering resources at a leveraged ratio in excess of one to one, whose principal business purpose is other than foreign development assistance or whose development assistance purpose was recently established, and who has not routinely received federal funding under traditional grants and cooperative agreements."